

Related Change Request (CR) #: 3809

MLN Matters Number: MM3809

Related CR Release Date: April 29, 2005

Related CR Transmittal #: 545

Effective Date: Cost reporting periods beginning on or after January 1, 2005

Implementation Date: October 3, 2005

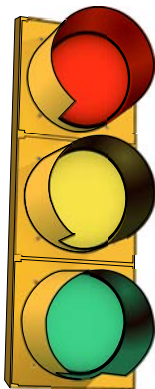
## *Teaching Adjustment for the Inpatient Psychiatric Facility (IPF) Prospective Payment System (PPS)*

**Note:** This article was revised to contain Web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

### Provider Types Affected

Inpatient Psychiatric Facilities (IPF) paid under PPS

### Provider Action Needed



#### **STOP – Impact to You**

This instruction includes information from Change Request (CR) 3809, which seeks to create a separate output from the Medicare claims processing system for the teaching adjustment for IPFs in order that the teaching amounts may be settled at cost report.

#### **CAUTION – What You Need to Know**

Affected providers should note that teaching IPF claims submitted between January 1, 2005 and October 1, 2005 will be reprocessed, so that the information will flow correctly to the cost report.

#### **GO – What You Need to Do**

Please refer to the Background Section of this article for details regarding these changes.

### Background

To help offset the higher costs for Inpatient Psychiatric Facilities (IPFs) that train interns and residents the Centers for Medicare & Medicaid Services (CMS) provides a teaching adjustment. The adjustment is calculated by taking the ratio of the number of interns and residents to the Average Daily Census (ADC), adding 1, and raising that sum to the 0.5150 power.

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Currently, the teaching adjustment is treated in the same manner as the rest of the facility-level and patient-level adjustments and is multiplied by the Federal per diem base rate to compute the Federal per diem payment.

The data needed to compute an accurate teaching adjustment (the number of interns and residents and average daily census) comes from the cost report itself. There is no way to reconcile the teaching amount with the most current data on the cost report itself unless the teaching payments are distinct from the per diem payment because the Pricer:

- Computes the teaching adjustment using data from the provider-specific file, and then
- Applies the adjustment along with the other patient-level and facility-level adjustments.

For example, if the number of patient days for an IPF changes, there is no way to compute an accurate teaching adjustment on the cost report.

Based on recent feedback from CMS cost reporting staff and FIs, CMS will modify the Pricer software and Fiscal Intermediary Standard System (FISS) used by FIs to process claims so that the portion of the Federal payment attributable to the teaching adjustment can be settled appropriately on the cost report. CR 3809 seeks to create a separate output from the Pricer for the teaching adjustment for IPF in order that the teaching amounts may be settled at cost report.

Basically, the teaching adjustment is calculated as follows:

1. Take the product of the wage adjusted base rate and the applicable teaching, rural, DRG, comorbidity, and age adjustments.
2. Take the product of the wage adjusted base rate and the applicable rural, DRG, comorbidity, and age adjustments.
3. Take the difference of these two products (Step 1 minus Step 2).
4. Calculate and sum the variable per diem amounts for the product in Step 2 to calculate the Federal payment net of the teaching adjustment amount.
5. Calculate and sum the variable per diem amounts for the difference in Step 3 to calculate the portion of the Federal payment attributable to the teaching adjustment.
6. To obtain the total Federal payment necessary for outlier calculations, etc., add Steps 4 and 5 together. Step 5 alone is the teaching adjustment portion of the Federal payment, and can be separately identified and reconciled on the cost report.

Note that, for PIP providers, the teaching adjustment is paid on a per claim basis.

Additionally, as stated in CR 3752, remember that there is no authority to pay Indirect Medical Education to IPFs for Medicare Advantage beneficiaries, as is done under the acute inpatient prospective payment system

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## Implementation

The implementation date for this instruction is October 3, 2005. Once the system changes are implemented, FIs will mass adjust teaching IPF claims submitted between January 1, 2005 and October 1, 2005 so that the teaching amounts may flow to the Provider Statistical & Reimbursement processes and the amounts will be settled at cost report. The FIs will complete these mass adjustments by December 15, 2005.

## Additional Information

For complete details, please see the official instruction issued to your intermediary regarding this change. That instruction may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R545CP.pdf> on the CMS web site.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.pdf> on the CMS web site.

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